

Message Text

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TAGS: UNDP, EAID

SUBJECT: UNDP GOVERNING COUNCIL - PROPOSED SPECIAL
MEETING

REF: USUN 6230

1. DEPARTMENT BELIEVES CONVENING OF SPECIAL GOVERNING
COUNCIL MEETING FOR PURPOSE OF SEEKING BORROWING AUTHORI-
ZATION FOR UNDP ADMINISTRATOR IS BOTH UNDESIRABLE AND
UNNECESSARY. MISSION SHOULD INFORM SECRETARY OF GC THE
UNITED STATES IS STRONGLY OPPOSED TO HOLDING SUCH A
MEETING AND SHOULD ACTIVELY LOBBY WITH OTHER DELEGATIONS
AGAINST ITS APPROVAL. IN THESE REPRESENTATIONS AND
DISCUSSIONS MISSION SHOULD DRAW ON FOLLOWING:

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(A) WE BELIEVE THAT IF RECIPIENT COUNTRIES AND SOME

OF LARGER DONORS LIVE UP TO THEIR PLEDGE RESPONSIBILITIES, SOLUTION TO SHORT-TERM CASH CRUNCH COULD BE ACHIEVED. AFTER REVIEWING FINANCIAL STATEMENTS PROVIDED US BY UNDP WE CONVINCED CONSIDERABLE FUNDS COULD AND SHOULD BE GENERATED BY GETTING RECIPIENT COUNTRIES TO MAKE GOOD ON THEIR OUTSTANDING ASSESSED PROGRAM COSTS, CASH COUNTERPART, AND COST SHARING OBLIGATIONS. TOTAL OF

THESE ARREARAGES NOW STANDS AT APPROX \$31 MILLION. A MAJOR EFFORT TO COLLECT THESE AMOUNTS WOULD SEEM IN ORDER. LIKEWISE, ACTION BY DONOR COUNTRIES ON OUTSTANDING VOL CONTRIBUTIONS COULD ALSO HAVE SIGNIFICANT AMELIORATING EFFECT ON FINANCIAL CRISIS. WE HAVE IN MIND IN PARTICULAR THE \$16 MILLION ITALIAN PLEDGE, PAYMENT OF WHICH WE UNDERSTAND HAS NOW BEEN APPROVED BY ITALIAN SENATE. FURTHERMORE, IN EXTREMIS, AND BEFORE RESORT IS MADE TO BORROWING AUTHORITY, ENCASHMENT OF \$12.1 MILLION DANISH LETTER OF CREDIT WOULD SEEM APPROPRIATE - NOTWITHSTANDING THE EFFECT THIS MIGHT HAVE ON DANISH CONTRIBUTION FOR 1976. IN SUM WE CONVINCED CONSIDERABLE RESOURCES STILL AVAILABLE FOR MINING BY UNDP FINANCIAL MANAGEMENT TEAM. IN THIS CONNECTION WOULD APPRECIATE UPDATE ON UNDP EFFORTS TO OBTAIN ADVANCES ON 1976 CONTRIBUTIONS AND WHAT ADMINISTRATOR EXPECTS FROM OTHER MAJOR DONORS IN JANUARY 1976. FYI: USG ACTIVELY EXAMINING POSSIBILITY OF MAKING SOME CONTRIBUTION IN JANUARY. THIS CONTINGENCY OF COURSE SUBJECT TO NUMBER OF FACTORS SOME OF WHICH ENTIRELY BEYOND OUR CONTROL. END FYI.

(B) GRANTING OF BORROWING AUTHORITY WOULD CONSTITUTE EXTREMELY BAD PRECEDENT AND SERIOUSLY WEAKEN PROGRAM. IN LONG RUN GOVERNMENTS WOULD REACT NEGATIVELY IN KNOWLEDGE CONTRIBUTIONS TO BE USED IN PART FOR FINANCING INTEREST PAYMENTS INSTEAD OF PROGRAMS. CONTRIBUTIONS WOULD SUFFER AND PRESSURES ON COUNTRIES TO LIVE UP TO PLEDGE RESPONSIBILITIES WOULD BE UNDERCUT.

(C) UNDP HOLDINGS OF "DIFFICULT," NON-CONVERTIBLE CURRENCIES OF SOCIALIST COUNTRIES, NOW STANDING AT OVER \$30 MILLION AND ACCUMULATING RAPIDLY, COULD FORM AN LIMITED OFFICIAL USE

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IMPORTANT PART OF SOLUTION TO CURRENT CRISIS. LDC'S SHOULD BE EDUCATED TO ROLE THESE CURRENCIES ARE PLAYING IN UNDP FINANCIAL DIFFICULTIES AND PRESSURES BROUGHT ON SOCIALIST COUNTRIES, PARTICULARLY THE SOVIET UNION, TO RELEASE SIGNIFICANT PORTION OF THESE NON-CONVERTIBLE CONTRIBUTION HOLDINGS FOR CONVERSION INTO HARD CURRENCIES.

(D) PART OF BURDEN OF FINANCIAL CRISIS SHOULD

CONTINUE TO BE SHARED BY EXECUTING AGENCIES, PARTICULARLY THE LARGER ONES. UNDP SHOULD CONTINUE TO SCALE DOWN ITS REMITTANCES TO THESE AGENCIES UNTIL NEW RESOURCES COME ON STREAM AT BEGINNING OF 1976.

2. WE BELIEVE IMPLEMENTATION OF COMBINATION OF MEASURES RECOMMENDED IN PARAS A, C AND D ABOVE, COULD PERMIT UNDP

TO COVER PROJECTED \$18.2 MILLION LIQUID ASSET SHORTFALL PROJECTED FOR END OF THIS YEAR AND THUS PERMIT IT TO GET THROUGH THE SHORT-TERM CRISIS. WE STAND READY TO ASSIST UNDP AS APPROPRIATE IN PURSUING THESE OBJECTIVES. ONCE INTO NEW YEAR 21ST UNDP GC CAN ADDRESS IN DETAIL SHORT, MEDIUM AND LONGER-TERM FINANCIAL PROGNOSIS OF UNDP AS WELL AS QUESTION OF GEARING PROGRAMMING TO REALISTIC FINANCIAL EXPECTATIONS.

3. AT ITS DISCRETION MISSION MAY BRING THESE CONSIDERATIONS TO ATTENTION UNDP TOP OFFICIALS, INCLUDING ADMINISTRATOR PETERSON, AS WELL AS ADMINISTRATOR-DESIGNATE MORSE. KISSINGER

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